

Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
-----118801 130524Z /10
R 121817Z JUL 78
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 1384

C O N F I D E N T I A L SECTION 01 OF 02 CAIRO 16899

EXDIS

E.O. 11652: GDS
TAGS: ENRG, TPHY, EG
SUBJ: NUCLEAR COOPERATION WITH EGYPT

REF: CAIRO 16804

1. AT CONCLUSION OF MEETING WITH EMBOFFS ON FUEL ENRICH-
MENT CONTRACT JULY 10 (SEE REFTEL), EGYPTIAN ATOMIC
ENERGY AUTHORITY CHAIRMAN KAMEL EFFAT MADE STRONG APPEAL
FOR SPEEDY TRANSMISSION TO GOE OF AMENDMENTS TO BILATERAL
COOPERATION AGREEMENT. EFFAT EXPRESSED POSITIVE OPINION
(ALSO EXPRESSED BY MINELECTRICITY COLLEAGUES) THAT AMEND-
MENTS THEMSELVES WOULD PROBABLY BE APPROVED.

2. HE NOTED, HOWEVER, THAT GOE WOULD WANT TO HAVE IN-
FORMAL DISCUSSIONS ON SUBSEQUENT APPROVAL OF AGREEMENT
BEFORE FINALLY AND PUBLICLY ENDORSING REVISED AGREEMENT.
ONE TROUBLESOME ASPECT FOR GOE, AS EFFAT DESCRIBED IT, IS
HOW TO HEDGE AGAINST ISRAELI DECISION NOT TO PROCEED WITH
AGREEMENT AT THIS TIME. IF EGYPT GOES AHEAD INDEPENDENTLY,
EFFAT SAID, GOE MUST HAVE ASSURANCES THAT IT WILL NOT BE
DISADVANTAGED BY WHATEVER TERMS SUBSEQUENTLY ARE NEGOTIA-
TED WITH ISRAEL. HE MENTIONED AMBASSADOR GHORBAL'S
"MOST FAVORED NATION CLAUSE" AS ONE POSSIBLE WAY TO
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SOLVE THIS PROBLEM. HE SAID SINCE 1978 NON-PROLIFERATION
LEGISLATION REQUIRES FULL SCOPE SAFEGUARDS ON EXISTING AS
WELL AS FUTURE FACILITIES. HE DOUBTS VERY MUCH IF ISRAEL
WILL COMPLETE AGREEMENT AT THIS TIME.

3. EFFAT SAID U.S. DELAY IN CONCLUDING COOPERATION AGREE-
MENT HAS ALREADY COST EGYPT \$100 MILLION IN ESCALATED

WESTINGHOUSE CONTRACT PRICE. (COMMENT: DECISION TO PROCEED WITH CONTRACT NEGOTIATIONS WAS, OF COURSE, WHOLLY EGYPTIAN. IN FAIRNESS, HOWEVER, 1976 NEGOTIATING HISTORY GAVE GOE EVERY INDICATION U.S. WAS PLANNING PROCEED EXPEDITIOUSLY TO COMPLETE AGREEMENT.) GOE, EFFAT STRESSED, IS ANXIOUS TO GET AMENDMENTS TO STUDY AND TO HOLD FURTHER DISCUSSIONS AS NECESSARY.

4. EFFAT SAID HE UNDERSTOOD FROM IRANIAN OFFICIALS HE HAD MET RECENTLY IN VIENNA THAT AMENDMENTS TO IRANIAN AGREEMENT HAVE ALREADY BEEN SUBMITTED TO GOI. BASED ON CONVERSATIONS HE HAD WITH MEMBERS OF U.S. DELEGATION IN VIENNA, EFFAT SAID HE IS HOPING TO RECEIVE AMENDMENTS TO EGYPTIAN AGREEMENT ABOUT JULY 15. EMBOFFS NOTED THEY HAD NO INDICATION OF WHEN AMENDMENTS MIGHT BE COMPLETED AND TRANSMITTED TO GOE, BUT WOULD REPORT COMMENTS TO DEPARTMENT.

5. COMMENT: EFFAT IS EGYPT'S SENIOR NEGOTIATOR WITH WESTINGHOUSE AND CHIEF TECHNICAL NUCLEAR EXPERT. HIS COMMENTS REFLECT BROAD DISCONTENT WITHIN MINISTRY OF ELECTRICITY AND ATOMIC ENERGY AUTHORITY OVER DELAYS IN COMPLETION OF NUCLEAR COOPERATION AGREEMENT WITH EGYPT. OUR HANDLING OF THIS ISSUE OVER PAST THREE YEARS HAS FRANKLY REDUCED OUR CREDIBILITY TO ROCK BOTTOM. EGYPTIANS NOW POINT TO ASSURANCES OF SPEEDY CONFIDENTIAL

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ACTION ALLEGEDLY GIVEN IN PAST YEAR TO MIN SULTAN BY UNDERSECRETARY BENSON AND SECRETARY SCHLESINGER.

6. FOR TACTICAL REASONS, BELIEVE NOW IS TIME TO SUBMIT PROPOSED AMENDMENTS TO 1976 AGREEMENT (WHICH WE HAVE HEARD ARE NOW AVAILABLE). WHILE ORIGINAL AGREEMENT SAW SMOOTH SAILING THROUGH GOE APPROVAL PROCESS IN 1976, IT IS LIKELY THAT COORDINATION PROCESS WITHIN GOE WILL BE MORE DIFFICULT IN 1978, DUE TO INCREASED PARTICIPATION BY MINISTRY OF FOREIGN AFFAIRS. 1976 AGREEMENT WAS APPROVED BY FOREIGN MINISTER FAHMY WHO WAS FAMILIAR WITH SAFEGUARD LANGUAGE FROM HIS YEARS AS EGYPT'S IAEA REP; CURRENT SENIOR FOREIGN MINISTRY OFFICIALS LESS EXPERIENCED AND LIKELY BE MORE DELIBERATE IN CONSIDERING AGREEMENT. IT IS NOT AT ALL CERTAIN THAT DEPUTY PRIMIN SULTAN AND GROUP WILL BE ABLE OFFER QUICK APPROVAL FOR AMENDMENTS AS THEY HAVE PLEDGED. GIVEN THIS DIVERGENCE OF VIEWS, IT WOULD BE IN OUR INTEREST TO PUT BALL BACK INTO EGYPTIAN COURT BY PRESENTING AMENDMENTS FOR GOE CONSIDERATION. NEGOTIATING PROCESS COULD THEN BE SPUN OUT AS NECESSARY.

7. IN ADDITION, AS DEPARTMENT AWARE, DOE STUDY OF EGYPTIAN ENERGY PROSPECTS ENDORSES NEED FOR NUCLEAR POWER GENERATION. ONCE THAT REPORT IS SUBMITTED TO GOE (WHICH WE UNDERSTAND NOW PLANNED FOR EARLY AUGUST), IT WILL REPRESENT, IN THEIR EYES, OFFICIAL USG ENDORSEMENT OF NUCLEAR PLANS; FURTHER DELAY IN COMPLETING AGREEMENT WILL THEN BE EVEN MORE DIFFICULT TO EXPLAIN.

8. RE QUESTION OF SUBMISSION OF EGYPTIAN AGREEMENT TO

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C O N F I D E N T I A L SECTION 02 OF 02 CAIRO 16899

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CONGRESS, EGYPTIANS CLAIM THEY ALREADY HAVE COMMITMENT FROM SECRETARY SCHLESINGER AND UNDERSECRETARY BENSON TO MOVE AHEAD WITH EGYPTIAN AGREEMENT INDEPENDENTLY FROM ISRAELI AGREEMENT. MR. NYE ALSO REPORTEDLY SPOKE ALONG THOSE LINES TO EGYPTIAN DCM SHAKER IN FEBRUARY (STATE 059459). EGYPTIANS THEREFORE TEND TO DISCOUNT OUR CAVEATS THAT, FOLLOWING AGREEMENT ON AMENDMENTS, THERE WILL HAVE TO BE FURTHER DECISION TAKEN ON SUBMISSION OF AGREEMENT TO CONGRESS. WE SHOULD THEREFORE BE PREPARED TO MAKE OUR POSITION ON THIS POINT CLEAR SO THERE WILL BE NO MISUNDERSTANDING RE FUTURE ACTION.

9. ACTION REQUESTED: SUGGEST EMBASSY BE SENT WITHOUT FURTHER DELAY PROPOSED REVISIONS TO 1976 NUCLEAR COOPERATION AGREEMENT AND AUTHORIZED TO TRANSMIT THEM TO GOE IMMEDIATELY. EILTS

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